EUROBANK Equities

COMPANY UPDATE

PAPOUTSANIS

Steady in the suds; efficiency flows through

Turning efficiency into growth; Buy – With its strategic priorities now firmly aligned around branded product growth, PAP is working to further improve profitability and reduce reliance on the more volatile 3rd-party segment. Following a softer-than-expected top line in 2024, we have trimmed our 2025-27e sales by 3-4%, but still expect 2-digit revenue growth in 2025e, driven by branded momentum and an expanding 3-party client base. Margins continue to benefit from the recently completed investment phase, which has enhanced production efficiency and underpinned a structural uplift in profits. Despite near-term input cost pressures, we view the 2024 gross margin of 37.3% as a largely sustainable base, supported by favorable mix. At EBITDA level, we forecast low-teens growth over the next 3 years, with margins expanding 1.6pps by 2028e. With capex now normalised at €4.5–5m annually, we expect a return to positive EFCF from 2025e, supported by a healthy balance sheet (2025e net debt/EBITDA at 1.7x), which also leaves plenty of capital deployment flexibility (incl. M&A).

FY'24 recap: Softer than expected top line; 2-digit EBITDA growth on margin debasement – FY'24 ended with revenue of €66.2m, +6.3% yoy—slightly below our expectations but showing a clear recovery in H2 after a weak H1 (-7.2%). Growth was led by branded products (+17%) and soap noodles (+13.6%), while third-party/PL sales declined 2.8% and hotel amenities grew modestly (+3.5% yoy). Profitability improved significantly, as gross margins expanded by 320bps to 37.3%, a level we consider to be a new base, supported by the completed investment plan, improved product mix, and production cost efficiencies. EBITDA increased by 15% yoy to €10.6m, with the respective margin rising 1.2pps to 16%, despite higher marketing costs. Net profit rose by 29% yoy to €5.3m, also benefiting from tax exemptions.

2-digit growth in 2025; input cost uptick to weigh modestly on margins – Looking ahead, the business looks set for a return to a 2-digit top line growth in 2025e driven by market share gains, branded portfolio expansion into home care, and the rollout of new third-party agreements. Beyond 2025e we project mid-single digit growth on average through to 2028e. While rising input costs—particularly in oils & energy—may exert some pressure on gross margin, the impact should be contained through mitigating measures such as open-book pricing and the recently commissioned PV park. At the EBITDA level, we forecast low-teens growth over the next three years, supported by operating leverage and distribution cost dilution, with margins expanding by 160bps to c.17.6% by 2028e—broadly in line with EU HPC peer averages.

Valuation: trimming PT to €2.9, reiterate Buy – Following a volatile performance through 2024, Papoutsanis shares have rebounded somewhat from October lows, although they have been weighed down in recent days by the broad-based sell-off. We have revised our model to reflect slightly lower top-line assumptions, modest gross margin pressure in 2025e, and higher advertising costs, leading to a c€1m reduction in our EBITDA over 2025–26e. Rolling our valuation to April 2026, we derive a PT of €2.90, implying c.8.3x 2025e EV/EBITDA. With the stock currently at <7.5x, or c30% discount to EU HPC peers, we find the current entry point compelling for long-term investors.

Estimates					
EURm unless otherwise stated	2023	2024	2025e	2026e	2027e
Revenues	62.3	66.2	73.6	79.9	85.4
Adj. EBITDA	9.2	10.6	11.9	13.4	14.9
Net Profit reported	4.1	5.3	6.4	7.2	8.3
EPS adj. (EUR)	0.15	0.19	0.24	0.27	0.31
DPS (EUR)	0.07	0.06	0.07	0.08	0.09
Valuation					
Year to end December	2023	2024	2025e	2026e	2027e
P/E	15.2x	12.3x	10.0x	8.9x	7.7x
EV/EBITDA	8.8x	8.2x	7.1x	6.1x	5.2x
EBIT/Interest expense	3.8x	4.0x	4.8x	6.2x	8.0x
Dividend Yield	3.1%	2.5%	3.1%	3.4%	3.9%
ROE	14.4%	17.2%	19.0%	18.5%	18.8%

Source: Eurobank Equities Research

Recommendation	**BUY**
Target Price	**€2.90**
Prior Target Price	**€3.00**
Closing Price (07/04)	€2.37
Market Cap (mn)	€64.2
Expected Return	22.4%
Expected Dividend	3.1%
Expected Total Return	25.5%

Papoutsanis Share Price

Stock Data

Reuters RIC	PSALr.AT
Bloomberg Code	PAP GA
52 Week High (adj.)	€2.73
52 Week Low (adj.)	€2.18
Abs. performance (1m)	-6.7%
Abs. performance (YTD)	0.0%
Number of shares	27.1mn
Avg Trading Volume (qrt)	€24k
Est. 3yr EPS CAGR	16.5%
Free Float	25%

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See Appendix for Analyst Certification and important disclosures.

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Investment Summary

Leader in manufacturing of soap in Europe, with increasing international footprint

Papoutsanis is one of the largest soap manufacturers in Europe (and the only one in Greece), operating across four segments: Own brands, Hotel amenities, Private label (PL)/Third party and Soap noodles. Own-branded products and third-party manufacturing remain the core growth pillars, jointly accounting for 66% of revenues in 2024. On our estimates, they will drive c70% of total revenue growth through 2028, underpinned by the company's strategic push to scale branded offerings and expand its third-party customer base via new partnerships. From a geographical perspective, thanks to its increasing export reach, Papoutsanis has broadened its geographical presence generating c55% of its sales abroad (mostly in Europe), thus being less dependent on the domestic economy.

B2B & B2C distribution; vertical integration at the core of the business model

The business model is based on the offering of high-quality, natural ingredient-based products at accessible prices, with a strong focus on sustainability. The company leverages both B2C and B2B distribution channels. In B2C, it distributes mass-market branded products through an extensive sales network primarily comprising supermarket chains and beauty stores. For B2B, Papoutsanis forms partnerships with multinational companies through production contracts and engages with numerous local retailers for the manufacturing of private label soaps. The company also holds a leading position in the Greek hotel amenities market. At the core of the business model lies vertical integration, with production at the company's state-of-the-art facilities also including product packaging and storage handling. This integrated approach offers the company a competitive edge, especially in the hotel amenities category, by enabling greater control over costs, quality, and supply chain efficiency.

Sales growth algorithm set to remain near or at 2-digit levels in the next couple of years

The personal care market is an industry poised to grow at c3-4% CAGR in the coming years (as per Statista) underpinned by structural drivers such as the rising interest in wellness and self-care (mainly propelling beauty) and a growing middle class (especially in emerging markets) as well as macroeconomic factors such as the increase in disposable income. In Papoutsanis's case, the historic track record is quite strong (sales CAGR 18% over 2018-24) as the company took advantage of barriers to entry in soap manufacturing and capitalized on its know-how expanding its portfolio of PL/third-party contracts while ramping up its own-branded portfolio. Looking ahead, the business looks set for double-digit growth in 2025e followed by high single digit growth in 2026e on market share gains and expansion of its product portfolio (e.g. entering in laundry/dishwashing detergents through the recently acquired ARKADI) along with new PL/Third party agreements.

… translating into c11% EBITDA CAGR over 2024-28e

Following a temporary setback in 2022, with EBITDA falling c17% yoy due to input cost pressures, Papoutsanis's profitability bounced strongly in 2023 (35%), with EBITDA marking an all-time high (at €9.2m from just €2.7m in 2018) and the respective margin reaching a mid-cycle level (14.8%). In 2024, EBITDA increased 15% yoy thanks to the growth in margin-accretive branded products and production efficiencies. Looking ahead, we expect Papoutsanis to remain on a 2-digit EBITDA growth trajectory thanks to the positive pendulum of operating leverage, as a result of which we see EBITDA margins expanding c1.6ppts over the next 4 years (to 17.6%). This will be in broad sync with the cross-cycle margin of EU HPC peers.

FCF inflection in light of abating capex needs; we expect progressive dividend policy and balanced approach between investment for growth and cash returns

On the FCF front, Papoutsanis has not been very cash-generative in recent years as a result of elevated investments (c€31m spent in the last 3 years) aimed at augmenting its capacity (utilization is now near 55%) and expanding the product portfolio, while also adding storage facilities. With the majority of Papoutsanis's investment program completed, particularly since the current capacity is adequate to sustain 2-digit growth for several years, we expect capex to trend down to c€5m annually. As such, we believe that following several years of negative or just marginally positive Equity FCF generation, 2025 will mark the inflection point in terms of FCF, envisaging €5-8m FCF over 2025-28e. Against this background, we expect management to institute a progressive dividend policy, penciling in dividend payouts near 30%, which we believe reflect a well-balanced approach between investing for growth and rewarding shareholders, especially considering the comfortable financial position (net debt/EBITDA at 2.1x in 2024).

Valuation looks palatable in light of upcoming FCF inflection

Since our initiation in March 2024, the stock has delivered a subdued and volatile performance, bottoming at €2.19 in October 2024 following somewhat tepid 9M results. It then staged a gradual recovery, in line with the broader rebound in the Greek market, before retreating again below €2.50 in the aftermath of the broad-based sell-off induced by the US tariffs. Following on from PAP's FY24 results, we have lowered our revenue estimates 3-4% in the next 3 years to reflect a softer-than-expected 2024 base and a slightly more conservative outlook for 2026, although we maintain our view for double-digit revenue growth in 2025e. We continue to assume a structurally stronger gross margin, partially offset by elevated advertising spend in support of the company's strategic push into branded products. These revisions translate into a c.7% reduction in our EBITDA forecasts over 2025–26e, implying an annual shortfall of around €1mn versus our previous projections. From a valuation perspective, the current level, at <7.5x 2025e EV/EBITDA, represents a c35% discount to European HPC peers. Although we do believe that a discount is warranted by the company's small size and stock's low liquidity, we find this relative valuation gap vs peers excessive given Papoutsanis's superior growth profile. Our DCF-based valuation, predicated on a 9.5% WACC, generates a PT of €2.9 per share (slightly trimmed from €3.0 before), placing the stock at 8.3x 2025e EV/EBITDA, still some 20% discount vs its peers.

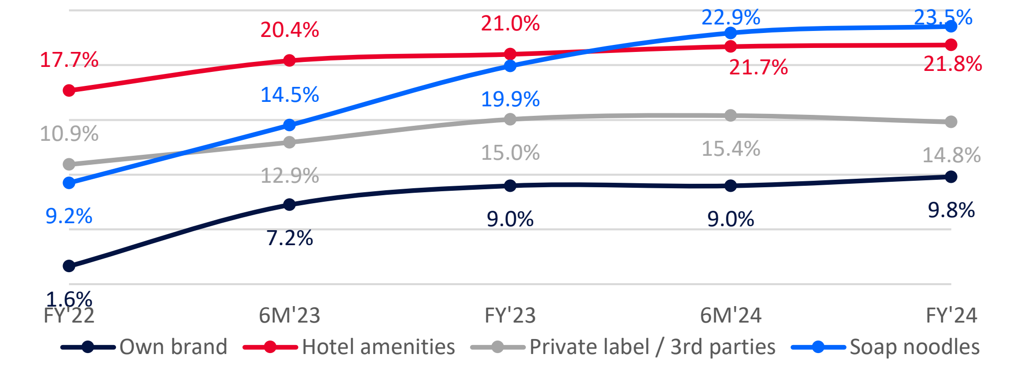
FY'24 overview

FY'24: softer top line growth but improved margins

Papoutsanis reported a 6.3% growth in FY'24 revenues (at €66.2m), slightly below our estimates of €67.6m but marking a clear improvement versus the -1.4% yoy decline posted in H1, reflecting a recovery in H2 driven by a rebound in hotel amenities and third-party manufacturing. Quarterly momentum remained solid, with Q4 revenue growth at +12.1%, following +17.4% in Q3, +3.9% in Q2, and -7.2% in Q1. Growth during the year was primarily driven by branded product sales, which rose 17% yoy and accounted for approximately 30% of total revenue. In the remaining segments, hotel amenities increased 3.5% yoy, private label/third-party sales declined by 2.8%, while industrial soap noodles grew 13.6% yoy.

On the profitability front, a more favourable sales mix—driven by the higher share of branded products—and lower production costs following the recent investment cycle led to a 3.2pps improvement in gross margin, which rose from 34.1% in FY'23 to 37.3% in FY'24. However, part of the gross margin gains was offset at the EBITDA level by higher marketing expenses associated with the launch of new branded lines. As a result, EBITDA rose 16.7% yoy to €10.6mn, coming in approximately €0.5mn below our forecast. The EBITDA margin expanded by 117bps yoy, reflecting improved profitability across all product categories, as illustrated in the chart below. Notably, margins increased across 3 out of 4 categories, with Soap Noodles and Hotel Amenities remaining the most profitable segments. Still, we caution that the ultra-high EBITDA margin of soap noodles (23.5%) is unlikely to be sustained and may come under pressure going forward. On the flip side, we expect branded product profitability to improve further as volumes scale, especially considering that early-year pricing constraints linked to the government's anti-inflation measures temporarily weighed on margins in H1'24.

EBITDA margin per product category



Source: Eurobank Equities Research, Company data.

The c€1.4mn yoy increase in EBITDA was broadly mirrored at the bottom line, with net profit reaching to €5.3mn in FY'24—benefiting also from the utilisation of tax exemptions linked to the completion of the investment plan—up from €4.1mn a year earlier.

On the cash flow front, net debt increased to €22.3mn from €18.3mn at end-2023, driven by negative free cash flow of c-€1.5mn and the payment of €2.1mn in dividends (including the interim dividend for 2024). Operating cash generation was constrained by working capital outflows and capex overshoots, with investment spending coming in roughly €1mn above plan. As of year-end, the company held elevated inventory levels, aiming to capitalise on rising raw material prices and to support the anticipated uptick in sales during Q1'25.

Papoutsanis | FY'24 Results overview

EURm	FY'23	FY'24	yoy
Revenue	**62.3**	**66.2**	**6.3%**
Own brand	16.9	19.8	17.0%
Hotel amenities	10.9	11.3	3.5%
Private label / 3rd parties	24.5	23.8	-2.8%
Soap noodles	9.9	11.3	13.6%
- COGS	-41.0	-41.5	1.2%
Gross Profit	**21.2**	**24.7**	**16.3%**
Gross margin	*34.1%*	*37.3%*	3.19 pps
- Operating expenses	-14.4	-16.6	15.2%
EBIT	**6.8**	**8.1**	18.4%
EBIT margin	*11.0%*	*12.2%*	1.25 pps
+ Depreciation	2.4	2.5	
EBITDA	**9.2**	**10.6**	**14.7%**
Own brand	1.4	1.9	34.0%
Hotel amenities	2.2	2.5	9.9%
Private label / 3rd parties	3.6	3.5	-1.7%
Soap noodles	1.9	2.7	37.1%
EBITDA margin	*14.8%*	*16.0%*	1.17 pps
- Financial results	-1.8	-2.1	13.3%
PBT	**5.0**	**6.1**	**20.2%**
- Taxes	-1.0	-0.8	
Net profit	**4.1**	**5.3**	**29.2%**

Source: Eurobank Equities Research, Company data.

Across the product categories:

- **Branded products** sales surged by c17% in FY'24 to c€20mn, now accounting for c30% of total revenue. Growth was driven by the Arkadi line (+69% yoy) and strong performance in international markets (+22% yoy), supported by expanded distribution, increased promotional activity, and entry into new product categories such as home and laundry care. Excluding ARKADI and exports, Papoutsanis-branded personal care product sales in Greece increased by 6% yoy.

- **Hotel amenities** rose 3.5%, contributing 17% to total revenue. The performance was driven by a 9% increase in Papoutsanis-branded hotel amenity sales, with exports posting particularly strong growth (+53% yoy), significantly strengthening the company's presence in international hospitality markets. Domestic sales remained broadly flat, edging up by 1% yoy, following a record tourism year in 2023.

- **Third-party** sales ended the year down 2.8% yoy, as the category faced a sharp decline in H1 (-10% yoy) before rebounding in H2 on the back of new project ramp-ups. The second half benefited from the onboarding of a major multinational partner, with new product codes introduced progressively during H2'24 and expected to reach full commercial maturity in 2025.

- Industrial sales of synthetic **soap noodles** rose 13.6% yoy to €11.3mn, supported by broader product portfolio. Management remains focused on further developing its presence in synthetic soap derivatives and expanding its client base.

The proposed final dividend stood at €0.03/share following on from the interim dividend of €0.03/share paid in Q4’24.

Quarterly overview

Papoutsanis quarters								
EURm	**Q1'23**	**Q2'23**	**Q3'23**	**Q4'23**	**Q1'24**	**Q2'24**	**Q3'24**	**Q4'24**
Turnover	**15.3**	**16.8**	**15.3**	**14.8**	**14.2**	**17.5**	**17.8**	**16.6**
yoy	2.8%	-9.8%	-22.4%	-15.2%	-7.2%	3.9%	16.8%	12.1%
Own brand	3.2	4.5	5.1	4.1	3.8	5.4	5.3	5.2
Hotel amenities	2.8	4.0	2.7	1.4	1.8	3.8	3.4	2.3
Private label / 3rd parties	6.7	5.8	5.5	6.5	6.0	5.4	6.5	6.0
Soap noodles	2.6	2.5	2.0	2.8	2.6	2.9	2.7	3.2
Cost of Sales	-11.0	-10.9	-9.9	-9.2	-9.2	-10.4	-11.9	-10.0
Gross Profit	**4.3**	**6.0**	**5.4**	**5.6**	**5.0**	**7.0**	**6.0**	**6.6**
Gross Profit Margin	28.0%	35.5%	35.1%	37.8%	35.4%	40.3%	33.5%	39.9%
Other Income	0.1	0.3	0.2	0.2	0.2	0.3	0.2	0.6
Sales Expenses	-2.0	-3.0	-2.6	-2.5	-2.7	-3.5	-3.0	-3.2
Administration & R&D	-1.1	-0.7	-0.9	-1.8	-1.1	-1.2	-1.2	-1.4
Other Operating Expenses	-0.2	-0.6	-0.2	0.3	-0.1	-0.1	-0.1	-0.2
Other income/(loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**1.2**	**2.0**	**1.8**	**1.9**	**1.3**	**2.5**	**1.9**	**2.3**
EBIT Margin	7.5%	11.7%	12.0%	12.6%	9.2%	14.4%	10.8%	14.1%
EBITDA	**1.7**	**2.6**	**2.4**	**1.4**	**1.8**	**3.2**	**2.5**	**3.0**
EBITDA Margin	10.9%	15.6%	15.6%	9.6%	12.7%	18.5%	13.9%	18.2%
Source: Eurobank Equities Research								

Estimates and main assumptions

2-digit growth in 2025e propelled by new cooperations in 3rd parties category

On the revenue front, our forecasts continue to assume double-digit growth for 2025e, underpinned by management's guidance for new third-party manufacturing agreements that have already been secured. Looking ahead, we continue to model strong double-digit growth in branded product sales, in line with the company's strategy to increase their share of total revenue—aiming to reduce dependence on third-party business and mitigate overall sales volatility. A snapshot of our revised estimates is presented in the table below:

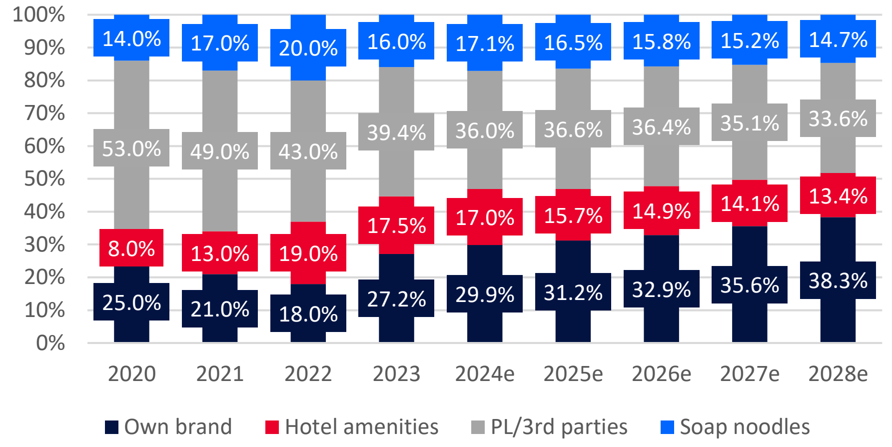
Key estimates						
EURm	**2023**	**2024**	**2025e**	**2026e**	**2027e**	**2028e**
Turnover	**62.3**	**66.2**	**73.6**	**79.9**	**85.4**	**90.3**
yoy growth	*-12.0%*	*6.3%*	*11.2%*	*8.6%*	*6.8%*	*5.8%*
Own brand	**16.9**	**19.8**	**23.0**	**26.3**	**30.4**	**34.6**
yoy growth	32.8%	17.0%	16.1%	14.5%	15.6%	14.0%
Hotel amenities	**10.9**	**11.3**	**11.6**	**11.9**	**12.0**	**12.1**
yoy growth	-19.0%	3.5%	2.5%	3.0%	1.0%	0.8%
Private label / 3rd parties	**24.5**	**23.8**	**26.9**	**29.1**	**30.0**	**30.3**
yoy growth	-19.4%	-2.8%	13.0%	8.0%	3.0%	1.3%
Soap noodles	**9.9**	**11.3**	**12.1**	**12.6**	**13.0**	**13.2**
yoy growth	-29.7%	13.9%	7.0%	4.0%	3.0%	2.0%
Gross profit	**21.2**	**24.7**	**27.1**	**29.5**	**31.7**	**33.6**
Gross margin	*34.1%*	*37.3%*	*36.9%*	*37.0%*	*37.1%*	*37.2%*
Net opex	-14.4	-16.6	-17.9	-19.1	-19.9	-21.0
Net opex/sales	*23.1%*	*25.1%*	*24.4%*	*23.8%*	*23.3%*	*23.3%*
Adj. EBITDA	**9.2**	**10.6**	**11.9**	**13.4**	**14.9**	**15.9**
yoy growth	48.7%	15.3%	12.1%	12.6%	11.2%	7.1%
Adj. EBITDA margin	14.7%	16.0%	16.1%	16.7%	17.4%	17.6%
Source: Eurobank Equities Research, Company data						

Looking at each division in more detail:

- **Own brand:** We model a 2024–28e revenue CAGR of c15% for the branded segment, as Papoutsanis continues to expand its portfolio and deepen its market penetration, particularly in Greece. Growth will be driven by the broadening of the product range, increased marketing spend, improved in-store visibility, and momentum from the recently launched detergents line, primarily under the Arkadi and Aromatics brands. We expect branded sales to grow from €19.8mn in 2024 to €34.6mn by 2028, with their share of total revenue rising steadily—a key pillar of the group's strategy to reduce reliance on more volatile third-party categories.
- **Hotel amenities:** We assume low-single-digit growth for this segment (2024–28e CAGR: c1.8%), broadly tracking inbound tourism trends in Greece. Incremental gains may come from international expansion efforts, particularly in Papoutsanis-branded offerings. The company retains a strong competitive position in this category due to its vertically integrated model, including in-house packaging capabilities.
- **Private label / third parties:** Third-party manufacturing remains Papoutsanis's largest revenue contributor. Following a 2.8% decline in 2024, we anticipate a solid rebound in 2025 (+13% yoy), driven by newly secured partnerships as indicated by management. Over the 2024–28e period, we forecast a CAGR of 6.2% for the segment, supported by volume recovery and expanded customer base.
- **Soap noodles:** We forecast a 2024–28e CAGR of c.4%, reflecting stable performance in high-spec, tailor-made product lines primarily serving premium clients such as L'Occitane. The company aims to further capitalise on its expertise in synthetic soap bases to support incremental gains. Margins in this segment remain elevated, though we factor in some normalisation from current peak levels.

Taking all the above into consideration, we project revenue growth of approximately 11% in 2025e and c9% in 2026e, following a softer performance in 2024 (+6% yoy). Beyond 2026, we expect growth to normalise to a mid-single-digit rate as the business matures.

Sales mix per product category (%)



Source: Eurobank Equities Research, Company data.

Expanded gross profit margins in FY'24 thanks to positive mix, modest contraction in 2025e

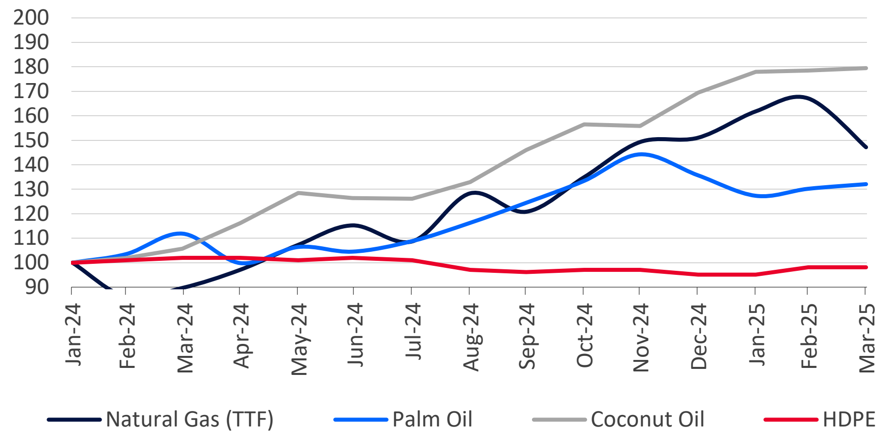
Gross margins have bounced strongly in the last few years (except for the high-cost environment of 2022), shaping at 37.3% in FY'24. This improvement is mainly attributed to reduced production costs from recent investments and a favorable shift in the sales mix, driven by increased sales of own-branded products. However, following the announced new partnerships in the PL category poised to significantly boost PL/third-party sales in 2025e, we anticipate a slight gross margin contraction.

Moreover, 2025 looks set to be a challenging year in terms of cost pressures, as key inputs such as palm and coconut oils have been on the rise since September, while energy costs have also picked up during the same period. To mitigate the impact of raw material volatility—particularly in 3rd party manufacturing, which represents the largest share of sales—the company adopts open-book pricing. Under this model, significant increases in input costs are passed through to customers, thereby limiting the margin risk and preserving gross profit in these categories.

On the other hand, the company has already taken action to reduce its exposure to energy cost volatility. The photovoltaic park installed at PAP's production facility became operational in December 2024 and is set to yield annual savings of approximately €300k. In parallel, the company has implemented process improvements aimed at lowering natural gas consumption in production, which are also expected to contribute to cost efficiencies going forward.

With all these in mind, we factor in some gross margin erosion in 2025e to 36.9%, followed by a gradual recovery towards the >37% levels recorded in 2024 supported by the increasing contribution of higher-margin branded products. We view the margin rebasement (from c34% in 2023) as structural, underpinned by the completion of the investment plan which has optimised production processes and improved cost efficiency. However, the pace and extent of this uptick will depend on raw material price trends and the degree of branded product growth—acknowledging that the latter, while margin-accretive at the gross level, could be partly offset at the EBITDA level due to elevated advertising and promotional spend.

Key input prices evolution



Source: Eurobank Equities Research, Company data, BBG.

Opex outlook

Operating expenses increased in 2024, mainly due to intensified marketing activity to support branded product growth, with distribution expenses accounting for 18.7% of sales. We expect distribution costs to remain elevated in absolute terms, in line with the company's strategy to scale its branded portfolio. However, as sales grow, we forecast a gradual decline in distribution costs as a percentage of revenue—from an estimated 17.5% in 2025e to 16.5% by 2027e.

We also highlight that Papoutsanis remains well-positioned to benefit from positive operating leverage following the completion of its investment plan. In this context, we expect EBITDA margins to improve gradually—from 16% in 2024 to 17.4% by 2027e—driven by the scaling of advertising and promotional spend across a growing base of branded product volumes.

Cash flows

On the cash flow front, the lighter capex profile going forward—at around €4.5–5mn annually, following the completion of the €25mn investment cycle in prior years—creates room for a turn to positive free cash flow from 2025 onwards, as reflected in our estimates. That said, this assumption may prove optimistic, as the uncertain geopolitical environment could put upward pressure on input costs and lead to renewed working capital volatility.

Summary of changes

Taking all these factors into account, we have lowered our revenue forecast by approximately 3-4%, reflecting the softer-than-expected 2024 base and a slightly more conservative outlook for 2026, while still projecting double-digit growth for 2025e. We assume improved gross margin performance offset by higher advertising spend in line with the company's strategic focus on expanding branded product sales. These adjustments translate into a c7% reduction in our EBITDA estimates over 2025-26e, implying an annual shortfall of around €1mn compared to our previous projections.

Papoutsanis estimates

	New estimates			Previous estimates			% change		
EURm	**2025e**	**2026e**	**2027e**	**2025e**	**2026e**	**2027e**	**2025e**	**2026e**	**2027e**
Turnover	73.6	79.9	85.4	75.8	83.4	89.2	-2.9%	-4.3%	-4.3%
Adj. EBITDA	11.9	13.4	14.9	12.7	14.3	15.6	-6.7%	-6.6%	-4.8%
Net income	6.4	7.2	8.3	7.0	8.8	9.2	-8.0%	-17.9%	-9.4%

Source: Eurobank Equities Research

Valuation

We lower our PT at €2.90, still indicating significant upside

We have updated our model incorporating the changes to our estimates while rolling our valuation forward to April 2026. We continue to value Papoutsanis using a DCF-based valuation, which yields a PT of €2.9/share (slightly reduced from €3.0 before), thus reiterating our Buy rating on the stock. Our PT places Papoutsanis at c8.3x 2025e EV/EBITDA, still at c20% discount vs the current valuation of the peer group.

Our model is based on the following assumptions:
- Sales CAGR of c8.1% over 2024-2028e, driven by increasing sales of branded and third parties products. Our numbers are based on volume-led growth, with neutral pricing and slightly positive mix (given higher growth in branded products).
- EBITDA CAGR of c10.7% over 2024-2028e, underpinned by the positive pendulum of operating leverage. We model low-single digit growth thereafter, assuming sustainable EBITDA margins near 15%, namely c2-3ppts lower than HPC peers' cross cycle margins.
- We use a long-term growth rate of 1% based on a reinvestment rate of 14% and mid-single-digit perpetual incremental ROIC, assuming that the company's competitive advantage will fade in the long run.
- We end up with an implied FCF EBITDA cash conversion (FCF/EBITDA) of c50% over the forecast horizon, a level we consider feasible given the nature of the industry.
- We use a 9.5% WACC, which we believe captures the relative risk profile of the business vis-à-vis the rest of our coverage universe while also considering factors such as stock liquidity.

DCF

EURmn unless otherwise stated	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	TV
NOPAT	8.4	8.9	9.8	10.4	10.5	10.7	10.5	10.5	10.4	10.2	10.3
Depreciation	2.7	2.9	3.1	3.3	3.3	3.4	3.4	3.5	3.6	3.6	3.6
Working Capital/other	0.4	(0.2)	(0.2)	(0.2)	(1.4)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.6)
Capex	(5.0)	(5.0)	(5.0)	(5.0)	(3.5)	(3.7)	(3.9)	(4.1)	(4.2)	(4.3)	(3.4)
Unlevered Free Cash Flow	**6.4**	**6.6**	**7.8**	**8.5**	**8.8**	**8.8**	**8.5**	**8.3**	**8.1**	**7.9**	**8.9**
Sum of PV of FCF	53.8										
PV of terminal value	45.9										
Enterprise Value	**99.7**										
Net debt/other claims	(22.3)										
Equity value ex-div	**77.5**										
no. Of shares	27.1										
Per share (year end)	2.9 €										
12-month fair value per share ex div	**2.9 €**										

Source: Eurobank Equities Research

Below we present the sensitivity of our PT to changes in WACC and terminal growth rates. As can be seen, flexing our WACC and perpetuity growth inputs by 0.5% each yields a fair value range between c€2.5 and c€3.3 per share.

DCF Sensitivity of our calculated company fair value per share to the WACC and LT growth assumptions

		WACC				
		10.5%	**10.0%**	**9.5%**	**9.0%**	**8.5%**
Terminal growth	**2.0%**	2.8	3.0	3.2	3.5	3.8
	1.5%	2.6	2.8	3.0	**3.3**	3.6
	1.0%	2.5	2.7	**2.9**	3.1	3.3
	0.5%	2.4	**2.5**	2.7	2.9	3.1
	0.0%	2.3	2.4	2.6	2.8	3.0

Source: Eurobank Equities Research.

Papoutsanis Financial Statements

EURmn					
Group P&L	**2023**	**2024**	**2025e**	**2026e**	**2027e**
Sales	**62.3**	**66.2**	**73.6**	**79.9**	**85.4**
Opex	-53.1	-55.6	-61.7	-66.5	-70.5
Adj. EBITDA	**9.2**	**10.6**	**11.9**	**13.4**	**14.9**
% change	*48.7%*	*15.3%*	*12.1%*	*12.6%*	*11.2%*
EBITDA margin	*14.7%*	*16.0%*	*16.1%*	*16.7%*	*17.4%*
EBIT	**6.8**	**8.1**	**9.2**	**10.5**	**11.8**
Financial income (expense)	-1.8	-2.1	-1.9	-1.7	-1.5
Exceptionals/other income	0.0	0.0	0.0	0.0	0.0
PBT - reported	**5.0**	**6.1**	**7.3**	**8.8**	**10.3**
Income tax	-1.0	-0.8	-0.9	-1.6	-1.9
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Net Profit - reported	**4.1**	**5.3**	**6.4**	**7.2**	**8.3**
EPS - adjusted (EUR)	**0.15**	**0.19**	**0.24**	**0.27**	**0.31**
DPS (EUR)	**0.07**	**0.06**	**0.07**	**0.08**	**0.09**
Group Cash Flow Statement	**2023**	**2024**	**2025e**	**2026e**	**2027e**
Adj. EBITDA	9.2	10.6	11.9	13.4	14.9
Change in Working Capital	-2.5	-4.9	0.4	-0.2	-0.2
Net Interest	-1.7	-1.8	-1.9	-1.7	-1.5
Tax	0.0	0.0	-0.9	-1.6	-1.9
Other	0.2	0.7	0.0	0.0	0.0
Operating Cash Flow	**5.3**	**4.7**	**9.5**	**9.9**	**11.3**
Capex	-4.5	-6.4	-5.0	-5.0	-5.0
Other investing	0.0	0.0	0.0	0.0	0.0
Net Investing Cash Flow	**-4.5**	**-6.4**	**-5.0**	**-5.0**	**-5.0**
Dividends	-0.5	-2.1	-1.8	-2.1	-2.3
Other (incl. capital repayment of leases)	-0.5	-0.2	0.0	0.0	0.0
Net Debt (cash)	**18.3**	**22.3**	**19.6**	**16.8**	**12.8**
Free Cash Flow (adj.)	**0.7**	**-1.4**	**4.7**	**5.2**	**6.6**
Group Balance Sheet	**2023**	**2024**	**2025e**	**2026e**	**2027e**
Tangible Assets	49.2	52.1	54.4	56.4	58.2
Intangible Assets	1.5	1.6	1.5	1.4	1.3
Other Long-term assets	2.0	1.7	1.7	1.7	1.7
Non-current Assets	**52.7**	**55.4**	**57.6**	**59.5**	**61.2**
Inventories	9.5	11.1	11.4	12.4	13.2
Trade Receivables	4.3	7.2	8.3	9.1	9.7
Other current assets	3.2	2.7	3.0	3.3	3.5
Cash & Equivalents	5.7	4.9	5.2	5.6	6.0
Current assets	**22.7**	**26.0**	**28.0**	**30.3**	**32.4**
Total Assets	**75.3**	**81.3**	**85.5**	**89.9**	**93.6**
Shareholder funds	29.8	31.6	36.3	41.4	47.4
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**29.8**	**31.6**	**36.3**	**41.4**	**47.4**
Long-term debt	20.2	21.9	20.8	19.8	18.8
Other long-term liabilities	6.5	6.5	6.3	6.1	5.9
Long Term Liabilities	**26.6**	**28.3**	**27.1**	**25.9**	**24.7**
Short-term debt	3.9	5.3	4.0	2.7	0.0
Trade Payables	11.2	12.3	13.8	14.5	15.5
Other current liabilities	3.8	3.8	4.4	5.5	6.1
Current liabilities	**18.9**	**21.4**	**22.2**	**22.6**	**21.5**
Equity & Liabilities	**75.3**	**81.3**	**85.5**	**89.9**	**93.6**
Key Financial Ratios	**2023**	**2024**	**2025e**	**2026e**	**2027e**
P/E	15.2x	12.3x	10.0x	8.9x	7.7x
P/BV	2.1x	2.0x	1.8x	1.6x	1.4x
EV/EBITDA	8.8x	8.2x	7.1x	6.1x	5.2x
EBIT/Interest expense	3.8x	4.0x	4.8x	6.2x	8.0x
Net Debt (cash)/EBITDA	2.0x	2.1x	1.7x	1.3x	0.9x
Dividend Yield	3.1%	2.5%	3.1%	3.4%	3.9%
ROE	14.4%	17.2%	19.0%	18.5%	18.8%
Free Cash Flow yield	1.1%	-2.2%	7.4%	8.0%	10.2%
Payout Ratio	46.5%	31.0%	31.0%	30.0%	30.0%

Source: Eurobank Equities Research

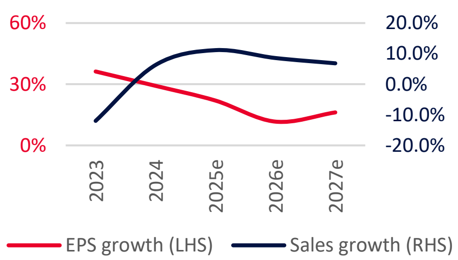
Company description

Papoutsanis is a company operating in the manufacturing of soap and liquid cosmetics. It holds the leading position in Greece while being one of the largest soap producers in Europe. The company's product portfolio comprises 4 categories, namely owned brands, hotel amenities, private label and specialized soap noodles. PAP generates >60% of sales internationally.

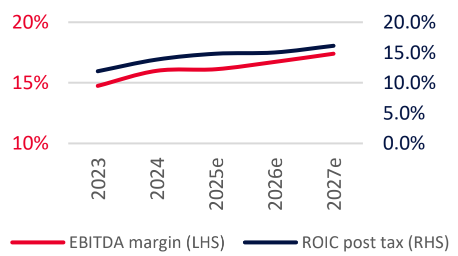
Risks and Sensitivities

- **Macro:** PAP sales depend on the consumer environment, and, on that basis, a potential deterioration in consumer dynamics in key markets could weigh on growth, especially since the portfolio has discretionary characteristics.
- **Input costs:** With >63% of costs stemming from raw materials, a key risk has to do with an abrupt spike in commodity prices, as was evident in 2022. This is especially true as there is usually a lag between cost inflation and pricing actions.
- **Regulations:** Pricing of mass market products is often regulated (e.g. recently in Greece); should these regulations become more stringent, it could weigh on the branded products' revenue.
- **Industry structure:** Three out of four product categories are based on contracts mainly with multinational or large companies. This dependency poses a risk of revenue loss if any of these collaborations were to be terminated.
- **Changing consumer dynamics:** The consumer environment is evolving at a rapid pace and results in shifting preferences and a shorter product lifecycle, although this is more of an issue for beauty. PAP seeks to address these dynamics through innovation, continuous product development, rebranding and marketing support but product portfolio enrichment may prove less successful than our estimates envisage.
- **Sensitivity:** We estimate that a 1% change in sales drives a c5% change in EBITDA.

Sales and EPS growth



Profitability and returns



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12-month Rating History of Papoutsanis

Date	Rating	Stock price	Target price
08/04/2025	Buy	€ 2.37	€ 2.90
17/01/2025	Buy	€ 2.51	€ 3.00
25/09/2024	Buy	€ 2.30	€ 3.00
07/03/2024	Buy	€ 2.38	€ 3.00

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients		Other Material Investment Services Clients (MISC) - as of 15th Jan 2025	
	Count	Total	Count	Total	Count	Total
Buy	28	74%	2	7%	12	46%
Hold	4	11%	0	0%	2	50%
Sell	0	0%	0	0%	0	0%
Restricted	1	3%	0	0%	1	100%
Under Review	1	3%	0	0%	1	100%
Not Rated	4	11%	0	0%	2	50%
Total	**38**	**100%**				

Coverage Universe: A summary of historic ratings for our coverage universe in the last 12 months is available here.

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
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